CMS Formal Request for Additional Information on
Indiana's Section 1115 "Inpatient Hospice Delivery by Hospice Residential Facilities"
Demonstration Proposal

Because this proposal is the first of its kind to be reviewed by CMS and DHHS staff, a primary concern is how to develop a model to calculate and demonstrate the budget neutrality of proposals of this type, as required by Section 1115 policy. Thus, the majority of the questions below are designed to assist CMS in the expenditure review of this proposal. In addition to the questions asked below, CMS has provided a disk that contains a Microsoft Excel workbook consisting of several budget tables for the State to complete and return to CMS for analysis.

Eligibility

1. In the proposal, the State briefly mentions that the eligibility threshold to participate in this demonstration will be raised to ensure that only individuals at higher acuity levels will be eligible for the demonstration. Please provide more detail on the methodology for determining eligibility for the demonstration.

Target Enrollment

The State indicates that there are a relatively small number of hospice residential beds in the state. Please tell CMS:

2. What is the geographic scope of this demonstration?

3. What is the total estimated number of demonstration eligibles in the areas where this demonstration would operate?

4. How many individuals does the State anticipate enrolling into the demonstration? Will the State serve the entire population of demonstration eligibles or implement an enrollment cap?

5. How many "hospice residential beds" will be dedicated to this demonstration? (Please complete Worksheet no. 2 in the Excel workbook to answer this question.)

"Woodwork" Effect

As we shared during the 9/19 call, the State must prove that paying hospice residential facilities to house Medicaid hospice recipients, in lieu of paying nursing facilities to house the same hospice service recipients, would not draw individuals who would have otherwise not opted to be placed in a community residential setting. CMS refers to this as the "woodwork effect."

6. The State needs to provide evidence to CMS of additional measures or requirements developed to minimize the "woodwork effect." How will the State ensure that individuals who would have received hospice services in their private home will not be able to elect

placement in a hospice residential facility because the option is available through the demonstration?

Implication on Current Practices

CMS would like to assure that this demonstration does not supplant current payment methods for room and board services provided in healthcare facilities. For example: Current practice requires an individual's entire Social Security Income (SSI), minus a personal needs allowance, to be paid to the nursing facility for room and board services provided to the individual. Presumably, under the demonstration, this same payment practice would continue for hospice residential facilities.

7. Please provide an explanation of how Indiana will ensure that current Federal and State payment structures for room and board services, such as SSI or state supplements, would be applied in the same manner under the demonstration.

8. Please provide an explanation of how Medicaid beneficiaries in Indiana currently pay for room and board services in hospice residential settings, and the impact this proposal would have on those current payment mechanisms.

As the State should be aware, Section 1814(i)(2)(A) of the Social Security Act ("the Act") requires Federal Medicaid to impose an annual "per beneficiary" cap amount on hospice services "provided or arranged by" a hospice program.

9. In accordance with the Act, room and board services provided by hospice residential facilities may be considered a "hospice service" for which payment of is applied towards the annual hospice cap. Please explain how the State will ensure that the additional cost for room and board services to hospice residential facilities will not interfere with an adequate provision of hospice care under Medicaid hospice cap amounts.

Budget Neutrality Analysis

10. In the proposal, the State indicates that there is evidence that hospice care is associated with lower rates of hospitalization.
    a. Please clarify whether the State intends to utilize averted hospitalizations as an offset in its budget neutrality calculation.
    b. If the State does intend to include averted hospitalizations as part of its budget neutrality calculation, the State must complete Worksheet no. 4 in the Excel workbook with data that demonstrates a direct relation between the provision of hospice services and lower hospitalization cost.

11. As was briefly explained above, CMS has developed several budget tables for the State to complete (see enclosed disk). These budget tables are designed to assist CMS and the State in determining which type of budget model to use for proposals of this type. By completing the enclosed budget workbook, the State will facilitate answers to policy questions such as:

a. What type of budget neutrality cap should be used for this demonstration (e.g. aggregate or per capita)?
b. Should budget neutrality focus only on room and board service costs or total Medicaid service cost for the target population?
c. What population of Medicaid eligibles will be held at risk under the budget ceiling?

If the State has problems opening or using any budget table, please contact your CMS project officer identified in the attached letter to the State.

Miscellaneous Application Details

12. The application does not provide a list of waivers the State seeks under this 1115 demonstration. Please provide.

13. Please provide a copy of the State's public notice for this proposal.